

Make a Personal Budget in 5 Steps

<https://tinyurl.com/BITvid>

A budget is just a plan. It's not a restriction on spending—it's a plan for what you'll do with your money. It's a plan for what's coming in and what's going out. Make a budget work for you by:"

1. Listing Your Income
2. Listing Your Expenses
3. Subtracting Expenses from Income
4. Tracking Your Transactions
5. Making a New Budget Before the Month Begins (also called a "feedback loop."

Step 1: List Your Income. Income is any money you plan to get during that month—that means your normal paychecks and any extra money coming your way through a side hustle, garage sale, freelance work or anything like that.

Create separate income budget lines for every paycheck you (and your spouse) make, plus anything extra coming in. Note: You're working with net income here, meaning what you bring in after taxes or anything else that's taken out of your paycheck. Here's an example:

- His Paycheck 1: \$1,500
- Her Paycheck 1: \$1,500
- His Paycheck 2: \$1,500
- Her Paycheck 2: \$1,500
- Side Hustle: \$500
- Total Income: \$6,500

If you've got an irregular income, take a look at what you've made the last few months and list the lowest amount as this month's planned income budget line.

You can adjust later in the month if you make more and add that extra money to your money goal or another budget line.

Step 2: List Your Expenses. Now that you've planned for the money coming in, you can plan for the money going out. It's time to list your expenses! (Yep, this is when that bank account or statement gets super helpful.). Cover your Four Walls.

That's food, utilities, shelter and transportation. Make a budget category for each of these and create budget lines underneath for your specific expenses.

Here's what it might look like for you (but with your numbers, of course!):

- Budget Category: Food
 - Groceries: \$400
- Budget Category: Utilities
 - Electricity: \$75
 - Water: \$50
 - Natural Gas: \$20
- Budget Category: Shelter/Housing
 - Mortgage: \$1,500
 - Home Owner Association fees: \$50
- Budget Category: Transportation
 - Gasoline: \$200
 - Maintenance: \$65 every 3 months
 - Car Insurance: \$75

Some of these are called fixed expenses—aka the expenses that stay the same every month, like your rent or mortgage.

Other expenses change up, like groceries or gasoline. By the way, that grocery budget line is super hard to guess at first, so just start with a really good estimate based on your past spending. You'll learn better what you actually need here in the months ahead.

Next, list all other monthly expenses. Start with the essentials: We're talking about insurance, debt, childcare, etc. Then work in a miscellaneous line and any nonessentials like personal spending, fun money and entertainment.

Then use your online bank account or those bank statements to estimate what you plan to spend for everything.

Make new budget categories for your new budget lines. Of course, if you spend money eating out, you can just add a line called Restaurants under your Food category—as long as you remember groceries are a necessity, but drive-thrus or fancy three-course meals out are not.

Step 3: Subtract Expenses from Income. Math time! (It won't be too bad. But it is totally necessary. Let's do this.) Subtract all your expenses from your income. This number should equal zero. We call this a zero-based budget.

A zero-based budget doesn't mean you let your bank account reach zero. Leave a little buffer in there of about \$100–300.

What if you end up with a negative number? It'll be okay. You just need to cut expenses until your income minus your expenses equals zero. (Hint: Start with those eating out and entertainment budget lines.)

Step 4: Track Your Expenses. Every single one. Sound hard? Take Mr. B's top Budget Trick and Tips: Get receipts for everything you spend money on. If you can't get a receipt, write yourself a note (called a "memo receipt"). Put all large jar or box. At end of month, organize them

Step 5: Make a New Budget Before the Month Begins (feedback loop). While your budget shouldn't change too much from month to month, the fact is, no two months are exactly the same.

That's why you create a new budget every single month—before the month begins. Then you can stare down certain expenses and say, "You will not be a surprise to my bank account, thank you very much."



When you're ready to start your next budget, just copy over this month's budget to the next, and then make changes for anything new that's coming. Here are some examples of month-specific expenses to prep for:

- **Celebrations:** Birthdays and anniversaries: Never forget those.
- **Holidays:** Do you need decor, gifts or a feast at the ready?
- **Seasonal purchases:** Don't forget to budget for back-to-school season, fall coffee flavor releases, and your spring kickball league.
- **Semiannual expenses:** Do you pay your auto insurance twice a year? Do you need an oil change next month?
- **Annual expenses:** Is it time for your yearly eye exam? Do you need to budget for your pet because Sir Barksalot and PrettyKitty need to get shots at the vet?